

Company Flash Note

Reason: Company newsflow

16 November 2018

Buy

Recommendation unchanged

Share price: EUR 4.60

closing price as of 15/11/2018

Target price: EUR 8.90

from Target Price: EUR 11.40

Upside/Downside Potential 93.5%

Reuters/Bloomberg

EUCG.DE/EUCA.GY

Market capitalisation (EURm) 33

Current N° of shares (m) 7

Free float 100%

Daily avg. no. trad. sh. 12 mth 7

Daily avg. trad. vol. 12 mth (m) 30.38

Price high/low 12 months 4.60 / 8.94

Abs Perfs 1/3/12 mths (%) -21.23/-20.14/-42.58

Key financials (EUR)

Sales (m) 12/17 333 12/18e 319 12/19e 332

EBITDA (m) 10 3 15

EBITDA margin 2.9% 1.0% 4.5%

EBIT (m) 1 (6) 6

EBIT margin 0.3% nm 1.9%

Net Profit (adj.)(m) (1) (4) 2

ROCE 1.9% -0.3% 2.4%

Net debt/(cash) (m) 86 89 87

Net Debt Equity 1.1 1.3 1.2

Net Debt/EBITDA 9.0 27.6 5.8

Int. cover(EBITDA/Fin.int) 2.0 0.7 3.9

EV/Sales 0.4 0.4 0.4

EV/EBITDA 15.4 38.7 8.2

EV/EBITDA (adj.) 10.8 15.2 8.2

EV/EBIT nm nm 19.1

P/E (adj.) nm nm 19.1

P/BV 0.7 0.5 0.5

OpFCF yield -21.3% -11.5% 6.2%

Dividend yield 0.0% 0.0% 0.0%

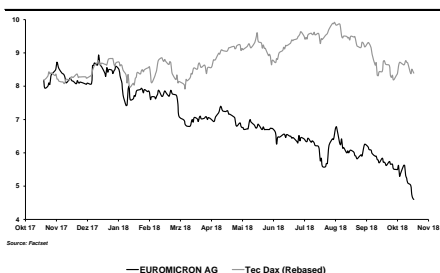
EPS (adj.) (0.13) (0.61) 0.24

BVPS 10.86 9.76 10.00

DPS 0.00 0.00 0.00

Shareholders

Carl Ernst Veit Paas 5%; LAZARD FRERES 3%; Chr. Bischoff 3%;



Analyst(s)

Winfried Becker

winfried.becker@equinet-ag.de

+49 69 58997-416

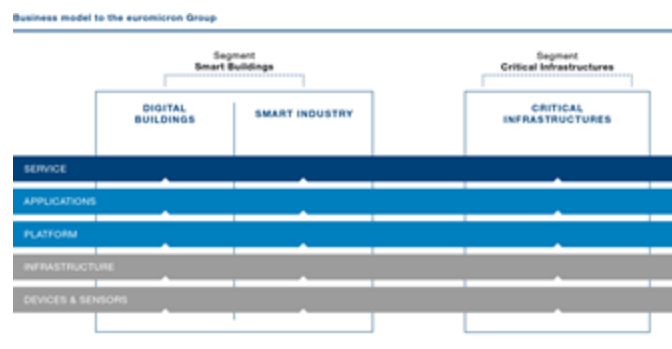
Investors need to have patience again

Three days before the official 9M results publication euromicron surprised the market with a profit warning for FY 2018e. It was related to the network engineering business in the Smart Buildings segment. In a conf. call the management made a clear statement, that from FY 2019e onwards profitability and the operating cash flow clearly will increase due to the finalisation of the transformation process end of FY 2018e. In this context the updated mid-term strategy, which will be presented next spring, will be of particular importance in our view. Taken into account the recent profit warning and our reduced forecasts, our new TP amounted to EUR 8.90 (-22%) per share. Compared to the current share price this offers an upside potential of >90% why we confirm our Buy recommendation. Price / Book value currently at 0.5!

- ✓ **New guidance for 2018e:** The group now wants to achieve a sales corridor of EUR 310-330m (equinet: EUR 319m), while the operating EBITDA-margin should reach 2.0 - 4.0% (equinet: 2.6%). In this context it is worth to mention that based on the nature of the business the dominant part of the result normally will be achieved in the last quarter.
- ✓ **Updated mid-term strategy next spring:** Management stated during the 9M conf. call that an updated mid-term strategy will be presented in spring 2019. We can imagine that it would become more transparent that there are tremendous opportunities for all three segments Smart Buildings, Critical Infrastructures and Distribution. Another part could apply to portfolio optimisation in our view. With regard to the group's profitability we expect a discussion of the current mid-term profitability target of >8% for the operating EBITDA.
- ✓ **Net financial debt burden:** End of September the net financial debt amounted to EUR -105.1m compared to EUR -103.7m end of September 2017. The net debt / EBITDA ratio reached 64.4x and based on the operating EBITDA it amounted to 22.0x. In particular two rates of repayment of financial debt are fixed: EUR 2.5m due 31 March 2019 and EUR 25.0m due 31 January 2020.
- ✓ **Attractive Valuation:** Reflecting euromicron's latest profit warning and new guidance we have reduced our forecasts for 2018e and beyond. This resulted in a lower DCF-based target price of EUR 8.90 from EUR 11.40 per share. Compared to the current share price level there is a substantial upside potential of >90% which is why we keep our Buy recommendation. The current share price is clearly below the company's book value (P/BV at 0.5!).
- ✓ **Key risks** comprise e.g. 1) General risks coming from the long-term project business like for example cost overruns or penalty payments. 2) Goodwill-to-equity ratio of >100% is unusual high; inherent potential risk of impairments. 3) The need to hire skilled employees could become more difficult. 4) General risk of an economic downturn, in particular in the Buildings/Construction industry could lower profitability.

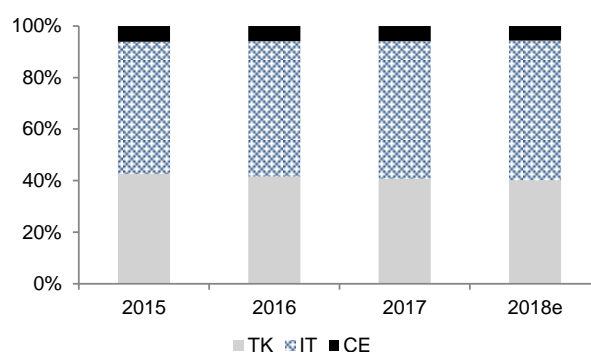
Investment Case in Charts

Exhibit 1: Offering integrated solutions



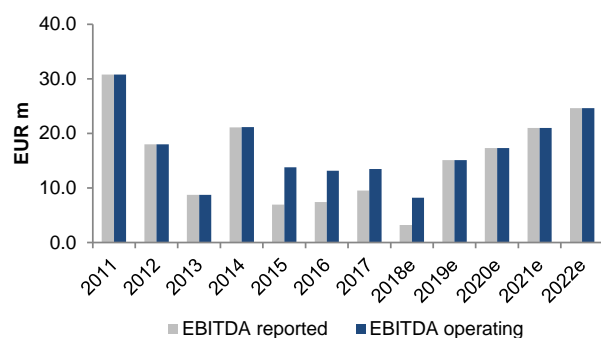
Source: Company data

Exhibit 2: German ICT-market will continue to grow 2018e



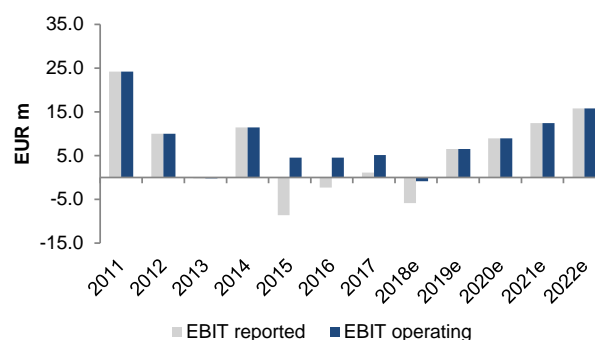
Source: Bitkom

Exhibit 3: Margin improvement on EBITDA level...



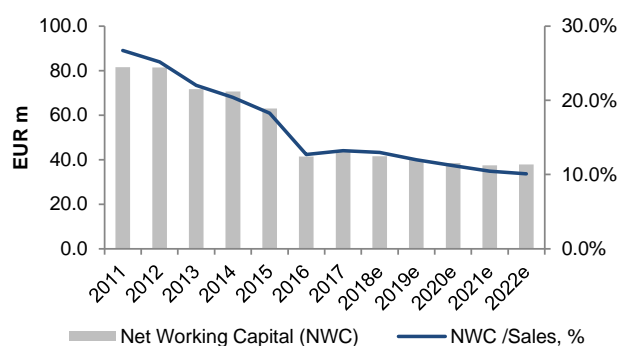
Source: Company data, equinet Research

Exhibit 4: ...and on EBIT level too



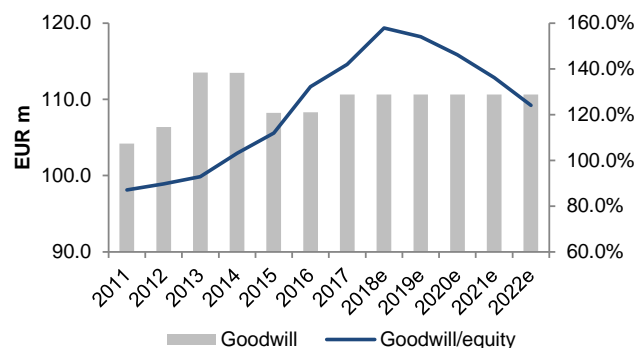
Source: Company data, equinet Research

Exhibit 5: Working capital control with high priority



Source: Company data, equinet Research

Exhibit 6: euromicron with high goodwill exposure



Source: Company data, equinet Research

Valuation update

- TP reduced to EUR 8.90 (-22%) per share
- Keeping our BUY recommendation
- Base parameters in our DCF-model have not changed

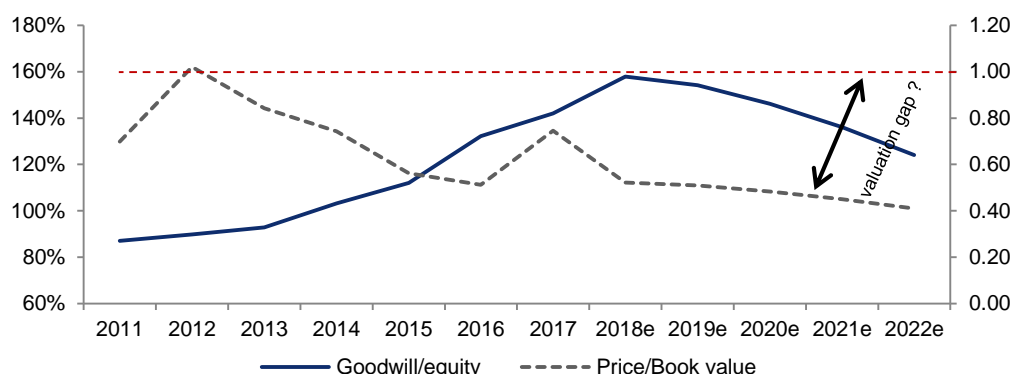
Exhibit 7: euromicron: DCF-valuation

EUR m	Phase I					Phase II					Phase III	
	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e		
Revenues	319	332	345	359	376	391	406	419	431	442		
growth rate	-4.1%	3.9%	3.8%	4.2%	4.6%	4.2%	3.7%	3.3%	2.9%	2.4%		
EBIT	-5.9	6.5	8.9	12.4	15.8	17.8	20.0	22.1	24.3	26.5		
EBIT margin	-18%	19%	2.6%	3.4%	4.2%	4.6%	4.9%	5.3%	5.6%	6.0%		
Tax	0.1	-0.1	-2.7	-3.7	-4.7	-5.4	-6.0	-6.6	-7.3	-8.0		
Tax rate	1%	1%	30%	30%	30%	30%	30%	30%	30%	30%		
Depr. & Amort.	9.1	8.6	8.4	8.6	8.8	10.2	11.1	11.7	12.2	12.6		
% of sales	2.8%	2.6%	2.4%	2.4%	2.3%	2.6%	2.7%	2.8%	2.8%	2.9%		
Capex	-11.0	-11.4	-11.6	-11.6	-12.1	-12.2	-12.4	-12.7	-13.0	-13.3		
% of sales	3.4%	3.4%	3.4%	3.2%	3.2%	3.1%	3.1%	3.0%	3.0%	3.0%		
Change in WC & P	2.5	1.7	1.2	1.1	-0.4	-0.4	-0.3	-0.3	-0.3	-0.2		
% of sales	-0.8%	-0.5%	-0.4%	-0.3%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%		
Free Cash Flow	-5.2	5.3	4.2	6.7	7.4	10.1	12.3	14.2	15.9	17.7	237.0	
growth rate	nm	nm	-19.7%	58.8%	9.6%	37.5%	215%	15.3%	12.2%	10.9%	2.0%	
Present Value FCF	-5.1	4.8	3.5	5.1	5.1	6.3	7.0	7.4	7.6	7.7	102.6	
PV Phase I	13.2					Risk free rate	3.50%	Targ. equity ratio			80%	
PV Phase II	36.0					Premium Equity	5.00%	Beta			1.5	
PV Phase III	102.6					Premium Debt	2.00%	WACC			9.61%	
Enterprise value	151.8					Sensitivity		Growth in phase III				
- Net Debt (Cash)	85.6							1.0%	1.5%	2.0%	2.5%	3.0%
- Pension Provisions	1.4					8.65%	10.3	11.4	12.8	14.3	16.1	
- Minorities & Peripherals	0.6					9.13%	8.6	9.6	10.7	12.0	13.5	
+ MV of financial assets						WACC	9.61%	7.2	8.0	8.9	10.0	11.3
- Paid-out dividends for last FY	0.0					10.09%	5.8	6.6	7.4	8.3	9.3	
+/- Other EV items						10.57%	4.7	5.3	6.0	6.8	7.7	
Equity value	64.2											
Number of shares	7.2											
Value per share (€)	8.9											
Current Price (€)	4.6											
Upside	94%											

Source: FactSet (closing price as of 15 Nov 2018), equinet Research

Including the latest profit warning and euromicron's lowered 2018e financial guidance we have reduced our forecasts 2018e as well as our mid- to long-term outlook. The base parameters for our DCF-model were left unchanged, e.g. our beta at 1.5, the risk free rate at 3.5% or the sustainable margin at 6.0%. On this basis our new equity value amounted to EUR 64.2m or EUR 8.90 per share. This currently offers an upside potential for the euromicron shares of >90% and we maintain our Buy rating.

Exhibit 8: Valuation gap not justified



Source: Company data, equinet Research

Since several years the price/book value ratio is below “1”, what is unusual in our view. On one hand it could be interpreted as a clear undervaluation. On the other hand it could be interpreted in that way, that investors expect more risks to come. At this front we have identified in particular two potential risk factors. The one is the high goodwill / equity ratio of 142% (equinet) for FY2017. In an absolute number the goodwill end of December 2017 amounted to EUR 110.6m (2016: EUR 108.3m) and the company made no impairments. That was also the case after the latest profit warning. The overall goodwill can be separated as follows: Smart Buildings segment: EUR 68.2m; Critical Infrastructures segment: EUR 37.2m; Distribution segment: EUR 5.2m.

The other potential risk factor in our view is that investors might expect that euromicron might fail to pay back their financial debt as planned. Up to now the group always repaid its financial debt in due form and in time.

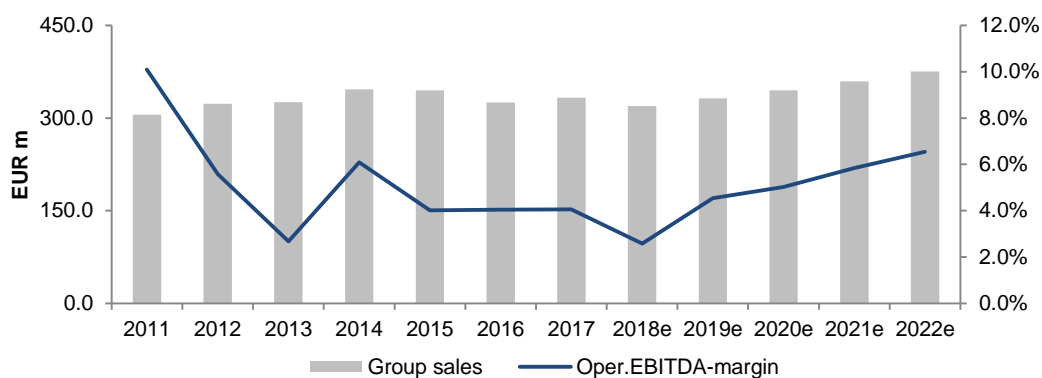
Based on these thoughts we take more the position, that a share price discount in the current range is not justified. Nevertheless, also our new TP of EUR 8.90 currently is below the book value of EUR 9.76 (see summary table).

Selected 9M 2018 report highlights

- Order intake of continuing operations declined by 6% to EUR 243.4m. The order book amounted to EUR 140.6m (+0.8% yoy) and is a solid level in our view to reach the reduced sales guidance. 9M book-to-bill ratio amounted to 1.04 (0.99)
- The operating EBITDA amounted to EUR 4.8m compared to EUR 7.2m a year earlier. That resulted in a margin decline to 2.0% from 2.9%. Extraordinary costs came out at EUR 3.1m; for the full year we estimate now EUR 5.0m
- The adjusted operating cash flow showed a strong improvement to EUR -3.9m from EUR -15.6m a year earlier and benefitted from a positive working capital management
- New framework contract from DB Station&Service AG received: euromicron Deutschland GmbH again has been selected by DB Station&Service AG in an open tender procedure for a framework contract to equip and optimize the existing video surveillance system at German long-distance train stations. The contract covers delivery, installation configuration and system integration of these systems. Contract length is about three years with the possibility to extend by one year. A contract value was not disclosed but is significant in our view. Given the contract profile, euromicron will support Deutsche Bahn's overall security concept.

euromicron already equipped several long distance train stations like e.g. Bremen, Hamburg, Hanover, Cologne or Nuremberg with full-HD IP video surveillance systems.

Exhibit 9: euromicron with margin recovery



Source: Company data, equinet Research

euromicron AG : Summary tables

PROFIT & LOSS (EURm)	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Sales	346	345	325	333	319	332
Cost of Sales & Operating Costs	-323	-325	-312	-319	-311	-317
Non Recurrent Expenses/Income	0.0	-13.1	-5.8	-4.0	-5.0	0.0
EBITDA	23.5	6.9	7.4	9.5	3.2	15.1
EBITDA (adj.)*	23.5	20.1	13.2	13.5	8.2	15.1
Depreciation	-12.0	-15.6	-8.7	-8.4	-9.1	-8.6
EBITA	11.5	-8.6	-1.3	1.1	-5.9	6.5
EBITA (adj.)*	11.5	4.5	4.5	5.1	-0.9	6.5
Amortisations and Write Downs	0.0	0.0	-1.0	0.0	0.0	0.0
<i>of which PPA amortisation</i>	<i>0.0</i>	<i>0.0</i>	<i>-1.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
EBIT	11.5	-8.6	-2.3	1.1	-5.9	6.5
EBIT (adj.)*	11.5	4.5	4.5	5.1	-0.9	6.5
Net Financial Interest	-3.7	-4.1	-5.4	-4.7	-4.3	-3.8
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	7.8	-12.7	-7.6	-3.6	-10.2	2.6
Tax	-4.9	-0.4	-4.9	0.1	2.6	-0.8
<i>Tax rate</i>	<i>63.4%</i>	<i>n.m.</i>	<i>n.m.</i>	<i>1.4%</i>	<i>25.0%</i>	<i>30.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-0.3	-0.1	-0.2	-0.3	-0.2	-0.1
Net Profit (reported)	2.6	-13.2	-12.7	-3.8	-7.9	1.7
Net Profit (adj.)	2.6	-4.1	-7.9	-1.0	-4.4	1.7
CASH FLOW (EURm)	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Cash Flow from Operations before change in NWC	-3.0	-3.0	-28.8	1.1	4.7	11.7
Change in Net Working Capital	1.1	7.5	21.7	-2.6	2.5	1.7
Cash Flow from Operations	-1.9	4.5	-7.1	-1.6	7.2	13.4
Capex	-6.3	-6.5	-7.2	-10.8	-11.0	-11.4
Net Financial Investments	3.4	-2.6	-0.5	-2.7	0.0	0.0
Free Cash Flow	-4.9	-4.6	-14.8	-15.0	-3.8	2.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	0.0	0.0	0.0	0.0	0.0	0.0
Change in Net Debt	-4.9	-4.6	-14.8	-15.0	-3.8	2.0
NOPLAT	8.0	3.2	3.2	3.6	-0.6	4.5
BALANCE SHEET & OTHER ITEMS (EURm)	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Net Tangible Assets	14.1	15.3	15.6	19.1	21.5	24.6
Net Intangible Assets (incl. Goodwill)	134	126	125	127	127	126
Net Financial Assets & Other	0.9	1.0	0.9	0.5	0.6	0.7
Total Fixed Assets	149	142	141	147	149	152
Inventories	29.0	30.8	28.4	31.5	31.8	31.5
Trade receivables	85.8	80.7	58.9	61.5	61.6	61.0
Other current assets	7.6	6.7	9.3	7.4	6.8	7.1
Cash (-)	-15.7	-10.7	-6.8	-5.0	-1.4	-1.9
Total Current Assets	138	129	103	105	102	102
Total Assets	287	271	245	252	250	253
Shareholders Equity	110	96.6	81.9	77.9	70.1	71.8
Minority	0.4	0.4	0.5	0.6	0.6	0.6
Total Equity	110	97.0	82.4	78.5	70.7	72.4
Long term interest bearing debt	55.8	54.8	65.5	78.6	77.5	75.4
Provisions	3.1	3.1	3.1	3.2	3.4	3.4
Other long term liabilities	13.1	7.5	6.7	7.5	8.6	8.9
Total Long Term Liabilities	72.0	65.3	75.2	89.2	89.4	87.8
Short term interest bearing debt	9.0	10.0	11.0	12.0	13.0	14.0
Trade payables	44.2	48.4	45.9	49.0	52.0	52.7
Other current liabilities	51.8	50.1	30.1	23.4	25.3	26.3
Total Current Liabilities	105	108	87.0	84.4	90.2	93.0
Total Liabilities and Shareholders' Equity	287	271	245	252	250	253
Net Capital Employed	176	162	162	175	172	172
Net Working Capital	70.6	63.0	41.4	44.0	41.5	39.8
GROWTH & MARGINS	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
<i>Sales growth</i>	<i>5.2%</i>	<i>-0.4%</i>	<i>-5.7%</i>	<i>2.3%</i>	<i>-4.1%</i>	<i>3.9%</i>
EBITDA (adj.)* growth	84.7%	-14.5%	-34.5%	2.7%	-39.1%	83.1%
<i>EBITA (adj.)* growth</i>	<i>108.0%</i>	<i>-60.7%</i>	<i>0.0%</i>	<i>13.3%</i>	<i>n.m.</i>	<i>n.m.</i>
<i>EBIT (adj.)* growth</i>	<i>108.0%</i>	<i>-60.7%</i>	<i>0.0%</i>	<i>13.3%</i>	<i>n.m.</i>	<i>n.m.</i>

euromicron AG : Summary tables

GROWTH & MARGINS	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Net Profit growth	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EPS adj. growth	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
DPS adj. growth						
EBITDA (adj)* margin	6.8%	5.8%	4.0%	4.1%	2.6%	4.5%
EBITA (adj)* margin	3.3%	1.3%	1.4%	1.5%	-0.3%	1.9%
EBIT (adj)* margin	3.3%	1.3%	1.4%	1.5%	n.m.	1.9%
RATIOS	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Net Debt/Equity	0.4	0.6	0.8	1.1	1.3	1.2
Net Debt/EBITDA	2.1	7.8	9.5	9.0	27.6	5.8
Interest cover (EBITDA/Fin.interest)	6.4	1.7	1.4	2.0	0.7	3.9
Capex/D&A	52.6%	41.6%	75.0%	128.3%	120.9%	132.6%
Capex/Sales	1.8%	1.9%	2.2%	3.2%	3.4%	3.4%
NWC/Sales	20.4%	18.3%	12.7%	13.2%	13.0%	12.0%
ROE (average)	2.2%	-3.9%	-8.9%	-1.2%	-5.9%	2.4%
ROCE (adj.)	3.7%	1.5%	1.7%	1.9%	-0.3%	2.4%
WACC	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%
ROCE (adj.)/WACC	0.4	0.2	0.2	0.2	0.0	0.2
PER SHARE DATA (EUR)***	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Average diluted number of shares	7.2	7.2	7.2	7.2	7.2	7.2
EPS (reported)	0.36	-1.85	-1.76	-0.53	-1.10	0.24
EPS (adj.)	0.36	-0.57	-1.10	-0.13	-0.61	0.24
BVPS	15.33	13.46	11.41	10.86	9.76	10.00
DPS	0.00	0.00	0.00	0.00	0.00	0.00
VALUATION	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
EV/Sales	0.4	0.3	0.4	0.4	0.4	0.4
EV/EBITDA	5.7	16.0	15.5	15.4	38.7	8.2
EV/EBITDA (adj.)*	5.7	5.5	8.7	10.8	15.2	8.2
EV/EBITA	11.6	-12.8	-89.2	134.3	-21.2	19.1
EV/EBITA (adj.)*	11.6	24.6	25.4	28.7	-142.2	19.1
EV/EBIT	11.6	n.m.	n.m.	n.m.	n.m.	19.1
EV/EBIT (adj.)*	11.6	24.6	25.4	28.7	n.m.	19.1
P/E (adj.)	31.7	n.m.	n.m.	n.m.	n.m.	19.1
P/BV	0.7	0.6	0.5	0.7	0.5	0.5
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/CE	0.6	0.5	0.6	0.8	0.7	0.6
OpFCF yield	-10.1%	-3.6%	-34.1%	-21.3%	-11.5%	6.2%
OpFCF/EV	-6.2%	-1.8%	-12.5%	-8.4%	-3.1%	1.7%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV AND MKT CAP (EURm)	12/2014	12/2015	12/2016	12/2017	12/2018e	12/2019e
Price** (EUR)	11.39	7.57	5.85	8.09	4.60	4.60
Outstanding number of shares for main stock	7.2	7.2	7.2	7.2	7.2	7.2
Total Market Cap	82	54	42	58	33	33
Net Debt	49	54	70	86	89	87
<i>o/w Cash & Marketable Securities (-)</i>	<i>-16</i>	<i>-11</i>	<i>-7</i>	<i>-5</i>	<i>-1</i>	<i>-2</i>
<i>o/w Gross Debt (+)</i>	<i>65</i>	<i>65</i>	<i>77</i>	<i>91</i>	<i>90</i>	<i>89</i>
Other EV components	2	2	3	3	3	3
Enterprise Value (EV adj.)	133	111	114	146	125	123

Source: Company, equinet Bank estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Electronic & Electrical Equipment/Electrical Components & Equipment

Company Description: euromicron went public in 1998 and is organized as a strategic management holding, while the operating business is done by currently 16 operating companies. The group operates in the target markets of Digital Buildings, Smart Industry and Critical Infrastructures. 2017 the group generates sales of EUR 333m with some 1,800 employees. Currently the group is in a transformation process and from 2019 onwards wants to enter the "innovation & growth" phase.

Recommendation and Disclosures

Coverage	Analyst	Target	Rating	Disc.	Coverage	Analyst	Target	Rating	Disc.
1&1DRILLISCHAG	Sen	66.00	Buy		Logwin	Mildner	150.00	Accumulate	2/3
2GEnergy	Rüzgar	23.50	Accumulate	2/3/5	Manz AG	Rüzgar	35.00	Buy	2/3
Aareal Bank	Häßler	41.00	Buy		MAXAutomation SE	Becker	6.70	Buy	2/3
adidas	Josefson	228.00	Accumulate		Merck	Berzhanin	112.00	Buy	
Adler Modemaerkte	Josefson	4.15	Buy	7	Merkur Bank	Häßler	10.00	Buy	2/7
ADLER Real Estate	Mayer	20.00	Buy		Metro AG	Bruns	17.00	Buy	
Aixtron	Sen	14.00	Buy	2/3	MLP	Häßler	7.50	Buy	2/3
Allianz	Häßler	220.00	Buy		MTU Aero Engines	Rüzgar	155.00	Reduce	2
Axel Springer	Josefson	67.00	Accumulate		Munich Re	Häßler	210.00	Accumulate	
Bayer	Berzhanin	96.00	Buy		Nemettschek SE	Mildner	47.00	Reduce	5
Baywa	Bruns	32.00	Buy	2/7	Norma Group	Schuldt	51.00	Neutral	
BB Biotech	Berzhanin	73.00	Buy	7	OHB SE	Rüzgar	40.00	Buy	7
Biotest	Berzhanin	22.10	Neutral	2/3	OVB Holding AG	Häßler	20.00	Buy	2/5/7
BMW	Schuldt	100.00	Buy		Patrizia	Mayer	20.00	Accumulate	
Brenntag	Hinkel	53.00	Buy	2	Pfeiffer Vacuum	Sen	162.00	Buy	5
Ceconomy AG	Bruns	5.00	Neutral		Procredit Holding	Häßler	15.00	Buy	2/3/5
comdirect	Häßler	12.30	Buy	7	PSI SOFTWARE AG	Mildner	20.60	Buy	2/3
Commerzbank	Häßler	9.20	Neutral		Puma	Josefson	565.00	Buy	
Continental	Schuldt	195.00	Buy		PWO	Schuldt	36.00	Buy	2/3
CORESTATE Capital Holding S.A.	Mayer	66.00	Buy	2/5	Rheinmetall	Rüzgar	80.00	Neutral	
CTS Eventim	Heilmann	40.00	Buy		RIB Software	Mildner	21.00	Buy	2/3
Daimler AG	Schuldt	63.00	Buy		RTL Group	Josefson	72.00	Accumulate	
Daldrup & Soehne	Becker	13.20	Buy	2/3/5	S&TAG	Sen	27.00	Buy	2/3
Demire	Mayer	4.80	Accumulate	2/5	SAF-Holland	Schuldt	13.80	Accumulate	
Deutsche Bank	Häßler	14.00	Buy		Schaeffler	Tanzer	13.00	Buy	
Deutsche EuroShop	Mayer	30.00	Neutral		Schaltbau Holding AG	Becker	32.50	Buy	2/7
Deutsche Pfandbriefbank	Häßler	14.50	Accumulate		SCOUT24	Heilmann	44.00	Neutral	2
Deutsche Telekom	Sen	13.30	Neutral		Siegfried Holding AG	Berzhanin	399.00	Neutral	7
Duerr	Augustin	30.00	Neutral		Siemens Healthineers AG	Rüzgar	39.00	Neutral	2
DWS	Häßler	30.00	Buy		SLM Solutions	Sen	15.00	Sell	
EringKlinger	Schuldt	5.50	Sell		SMT Scharf AG	Rüzgar	14.50	Neutral	2/3
elumeo SE	Josefson	10.90	Accumulate		Software AG	Mildner	30.00	Sell	
Epigenomics AG	Berzhanin	3.80	Buy	2/3	Stabilus	Tanzer	91.00	Buy	
Euromicron AG	Becker	8.90	Buy	2/3/5	Suedzucker	Bruns	11.70	Reduce	
Evonik	Hinkel	37.00	Buy		SuessMicroTec	Sen	13.80	Accumulate	
Eyemaxx Real Estate	Mayer	18.00	Buy	2/5/7	Surteco Group	Mildner	22.00	Neutral	2/3
Ferratum	Häßler	23.00	Buy		Symrise AG	Hinkel	67.00	Neutral	
Fielmann	Heilmann	55.00	Neutral		Szygy AG	Heilmann	10.70	Buy	2/3
First Sensor AG	Becker	27.50	Buy	7	TAKKT AG	Bruns	20.00	Buy	2
Freenet	Sen	36.00	Buy	2	Talanx Group	Häßler	37.00	Buy	
FuchsPetrolub	Hinkel	50.00	Buy		Technotrans	Becker	39.60	Buy	2/3
Gea Group	Augustin	25.00	Neutral		TELECOLUMBUS	Sen	4.80	Buy	
Gerresheimer AG	Rüzgar	69.00	Neutral		Telefonica Deutschland	Sen	3.40	Sell	
Gerry Weber	Josefson	2.18	Neutral		United Internet	Sen	63.00	Buy	
Gesco	Becker	35.60	Buy	2/3	Vapiano	Bruns	20.00	Buy	2/7
GFT Technologies	Mildner	13.40	Buy	2/3	va-Q-tec	Sen	12.00	Buy	2/3
Gigaset	Sen	0.85	Accumulate	2/3	Viscom	Rüzgar	22.00	Buy	2/3
Grenke	Häßler	90.00	Neutral		Volkswagen	Schuldt	154.00	Neutral	
Hannover Re	Häßler	110.00	Neutral		Wacker Neuson SE	Becker	24.10	Neutral	
Heidelberg Pharma	Berzhanin	3.50	Accumulate	2/3	windeln.de	Josefson	3.10	Buy	2
Heidelberger Druck	Augustin	2.90	Buy		XING SE	Heilmann	305.00	Accumulate	
HELLA GmbH & Co. KGaA	Tanzer	51.00	Accumulate		Zalando	Josefson	44.50	Neutral	
Hornbach Holding	Bruns	89.00	Buy						
Hugo Boss	Josefson	80.00	Buy						
Hypoport AG	Häßler	190.00	Neutral	2/7					
INDUS Holding AG	Becker	55.70	Neutral						
Intershop Communications AG	Mildner	1.85	Buy	2/7					
K+S AG	Hinkel	24.00	Buy						
Koenig & Bauer	Augustin	44.00	Neutral						
Krones AG	Augustin	90.00	Accumulate						
KWS SAAT	Hinkel	353.00	Buy						
Lanxess	Hinkel	83.00	Buy						
LEG Immobilien AG	Mayer	105.00	Neutral						
Leoni	Schuldt	34.00	Accumulate						
Linde	Hinkel	176.00	Neutral						

* =Coverage suspended

Source: equinet Recommendations

Notice according to § 34 b (German) Securities Trading Act ("Wertpapierhandelsgesetz")

This document is issued by Equinet Bank AG ("Equinet Bank"). It has been prepared by its authors independently of the Company, and none of Equinet Bank, the Company or its shareholders has independently verified any of the information given in this document.

Equinet Bank possesses relations to the covered companies as detailed in the table on the previous page. Additional information and disclosures will be made available upon request and/or can be looked up on our website <http://www.Equinet-Bank-ag.de>

1 - Equinet Bank and/or its affiliate(s) hold(s) more than 5% of the share capital of this company calculated under computational methods required by German law.

2 - Equinet Bank acts as a designated sponsor for this company, including the provision of bid and ask offers. Therefore, we regularly possess shares of the company in our proprietary trading books. Equinet Bank receives a commission from the company for the provision of the designated sponsor services.

3 – The designated sponsor services include a contractually agreed provision of research services.

4 – Within the last twelve months, Equinet Bank was involved as a lead or co-lead manager in the public offering of securities which are/whose issuer is the subject of this report.

5 – Within the last twelve months, Equinet Bank and/or its affiliate(s) provided investment banking- and/or other consultancy services for this company and/or its shareholders.

6 - Equinet Bank and/or its affiliate(s) has/have other substantial financial interests in relation to this issuer.

7 – Equinet Bank has entered into an agreement with this company about the preparation of research reports and – in return – receives a compensation.

Companies of the Equinet Bank group and/or its directors, officers and employees or clients may take positions in, and may make purchases and/or sales as principal or agent in the securities or related financial instruments discussed in our reports. The Equinet Bank group may provide investment banking and other services to and/or serve as directors of the companies referred to in our reports.

In compliance with Para 5 Sec. 4 of the Ordinance on the Analysis of Financial Instruments (FinAnV) Equinet Bank has realized additional internal and organizational measures, such as specific research guidelines, to prevent or manage conflicts of interest.

Neither the company nor its employees are allowed to receive donations from third parties with a special interest in the content of the analysis.

The salary of the research analysts of Equinet Bank AG does not depend on the investment banking transactions of the company. Nevertheless, this does not rule out the payment of a bonus which depends on the overall financial performance of the bank.

Particular care is taken that the individual performance of each research analyst of Equinet Bank AG is not being assessed by a manager of another business division with similar or same interests.

To assure a highest degree of transparency Equinet Bank AG regularly provides - on a quarterly basis – a summary according to Para 5 Sec. 4 No. 3 of the Ordinance on the Analysis of Financial Instruments (FinAnV). It informs about the overall analysts recommendations and sets them in a relationship to those companies, for which Equinet Bank provided investment banking services within the last twelve months. This summary is published via our website <http://www.Equinet-Bank-ag.de>.

Furthermore, we refer to our conflict of interest policy as well as the German Securities Trading Act (WpHG) and the Ordinance on the Analysis of Financial Instruments (FinAnV) provided in the download area of our website <http://www.Equinet-Bank-ag.de>.

Remarks

Recommendation System

Buy - The stock is expected to generate a total return of over 20% during the next 12 months time horizon.

Accumulate - The stock is expected to generate a total return of 10% to 20% during the next 12 months time horizon.

Hold - The stock is expected to generate a total return of 0% to 10% during the next 12 months time horizon

Reduce - The stock is expected to generate a total return of 0 to -10% during the next 12 months time horizon

Sell - The stock is expected to generate a total return below -10% during the next 12 months time horizon

Basis of Valuation

Equinet Bank uses for valuation purposes primarily DCF-Valuations and Sum-Of-The-Parts-Valuations as well as peer group comparisons.

Share prices

Share prices in this analysis are the German closing prices of the last trading day before the publication.

Sources

Equinet Bank has made any effort to carefully research all information contained in the analysis. The information on which the analysis is based has been obtained from sources which we believe to be reliable such as, for example, Reuters, Bloomberg and the relevant press as well as the company which is the subject of the analysis. Only that part of the research note is made available to the issuer, who is the subject of the analysis, which is necessary to properly reconcile with the facts. Should this result in considerable changes a reference is made in the research note.

Actualizations

Opinions expressed in this analysis are our current opinions as of the issuing date indicated on this document. We do not commit ourselves in advance to whether and in which intervals updates are made.

DISCLAIMER

THE PREPARATION OF THIS DOCUMENT IS SUBJECT TO REGULATION BY GERMAN LAW. THIS DOCUMENT IS BEING SUPPLIED TO YOU SOLELY IN YOUR CAPACITY AS A PROFESSIONAL INSTITUTIONAL INVESTOR FOR YOUR INFORMATION AND MAY NOT BE REPRODUCED OR PASSED ON, DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON OR PUBLISHED, IN WHOLE OR IN PART, FOR ANY PURPOSE. NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO AUSTRALIA, CANADA OR JAPAN OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, IN AUSTRALIA, CANADA OR JAPAN OR TO ANY RESIDENT THEREOF.

THE DELIVERY OF THIS RESEARCH REPORT TO U.S. PERSONS IN THE UNITED STATES OF AMERICA IS MADE BY AND UNDER THE RESPONSIBILITY OF GSN NA, INC. (REGISTERED WITH THE SEC). THIS RESEARCH REPORT IS ONLY INTENDED FOR PERSONS WHO QUALIFY AS MAJOR U.S. INSTITUTIONAL INVESTORS, AS DEFINED IN SECURITIES EXCHANGE ACT RULE 15A-6, AND DEAL WITH GSN NA, INC. HOWEVER, THE DELIVERY OF THIS RESEARCH REPORT OR SUMMARY TO ANY U.S. PERSON SHALL NOT BE DEEMED A RECOMMENDATION OF GSN NA, INC. TO EFFECT ANY TRANSACTIONS IN THE SECURITIES DISCUSSED HEREIN OR AN ENDORSEMENT OF ANY OPINION EXPRESSED HEREIN. GSN NA, INC. MAY FURNISH UPON REQUEST ALL INVESTMENT INFORMATION AVAILABLE TO IT SUPPORTING ANY RECOMMENDATIONS MADE IN THIS RESEARCH REPORT. ALL TRADES WITH U.S. RECIPIENTS OF THIS RESEARCH SHALL BE EXECUTED THROUGH GSN NA, INC.

THIS DOCUMENT IS FOR DISTRIBUTION IN THE U.K. ONLY TO PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND FALL WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "ORDER") OR (ii) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER, NAMELY HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS ETC (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED UPON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS DOCUMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS OR TO RESIDENTS OF OTHER JURISDICTIONS MAY ALSO BE RESTRICTED BY LAW, AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS. BY ACCEPTING THIS REPORT YOU AGREE TO BE BOUND BY THE FOREGOING INSTRUCTIONS. YOU SHALL INDEMNIFY EQUINET BANK AGAINST ANY DAMAGES, CLAIMS, LOSSES, AND DETRIMENTS RESULTING FROM OR IN CONNECTION WITH THE UNAUTHORIZED USE OF THIS DOCUMENT.

This report is for informational purposes only and has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. This publication is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor. Therefore, investments discussed and recommendations made herein may not be suitable for all investors: readers must exercise their own independent judgment as to the suitability of such investments and recommendations in the light of their own investment objectives, experience, taxation status and financial position.

The information herein is believed by Equinet Bank to be reliable and has been obtained from sources believed to be reliable, but Equinet Bank makes no representation as to the accuracy or completeness of such information. The information given in this report is subject to change without notice; it may be incomplete or condensed and it may not contain all material information concerning the Company. Opinions expressed herein may differ or be contrary to opinions expressed by other business areas of the Equinet Bank group as a result of using different assumptions and criteria. Equinet Bank is under no obligation to update or keep the information current. Equinet Bank provides data concerning the future development of securities in the context of its usual research activity. However, if a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the price or value of, or the income derived from, the financial instrument, and such investor effectively assumes currency risk. In addition, income from an investment may fluctuate and the price or value of financial instruments described in this report, either directly or indirectly, may rise or fall. Furthermore, past performance is not necessarily indicative of future results. Neither the author nor Equinet Bank accepts any liability whatsoever for any loss howsoever arising from any use of this publication or its contents or otherwise arising in connection herewith, except as provided for under applicable regulations.

Equinet Bank shall only be liable for any damages intentionally caused or which result from any gross negligence of Equinet Bank. Further Equinet Bank shall be liable for the breach of a material obligation of Equinet Bank, however, limited to the amount of the typical foreseeable which shall in no event exceed the amount of EUR 10,000. German law shall be applicable and court of jurisdiction for all disputes shall be Frankfurt/Main (Germany).

Competent Supervisory Authority:

Bundesanstalt für Finanzdienstleistungsaufsicht
-BaFin- (Federal Financial Supervisory Authority)
Graurheindorfer Straße 108, 53117 Bonn and
Marie-Curie-Str. 24-28, 60439 Frankfurt am Main

Recommendation history for EUROMICRON AG

Date	Recommendation	Target price	Price at change date
16. Nov 18	Buy	8.90	4.60
02. Jul 18	Buy	11.40	6.60

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows equinet Bank continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Winfried Becker (since 30/01/2018)



ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

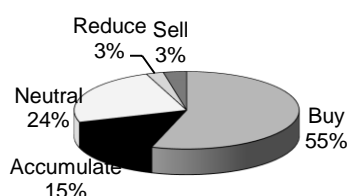
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a change of analyst covering the stock or a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Equinet Bank Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

Date and time of production: 16 November 2018: 13:41 CET

First date and time of dissemination: 16 November 2018: 13:46 CET

Disclaimer:

These reports have been prepared and issued by the Members of European Securities Network LLP ("ESN"). ESN, its Members and their affiliates (and any director, officer or employee thereof), are neither liable for the proper and complete transmission of these reports nor for any delay in their receipt. Any unauthorised use, disclosure, copying, distribution, or taking of any action in reliance on these reports is strictly prohibited. The views and expressions in the reports are expressions of opinion and are given in good faith, but are subject to change without notice. These reports may not be reproduced in whole or in part or passed to third parties without permission. The information herein was obtained from various sources. ESN, its Members and their affiliates (and any director, officer or employee thereof) do not guarantee their accuracy or completeness, and neither ESN, nor its Members, nor its Members' affiliates (nor any director, officer or employee thereof) shall be liable in respect of any errors or omissions or for any losses or consequential losses arising from such errors or omissions. Neither the information contained in these reports nor any opinion expressed constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities ("related investments"). These reports are prepared for the clients of the Members of ESN only. They do not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive any of these reports. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in these reports and should understand that statements regarding future prospects may not be realised. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in these reports. In addition, investors in securities such as ADRs, whose value are influenced by the currency of the underlying security, effectively assume currency risk. ESN, its Members and their affiliates may submit a pre-publication draft (without mentioning neither the recommendation nor the target price/fair value) of its reports for review to the Investor Relations Department of the issuer forming the subject of the report, solely for the purpose of correcting any inadvertent material inaccuracies. Like all members employees, analysts receive compensation that is impacted by overall firm profitability. For further details about the analyst certification, the specific risks of the company and about the valuation methods used to determine the price targets included in this report/note, please refer to the specific disclaimer pages prepared by the ESN Members. In the case of a short note please refer to the latest relevant published research on single stock or contact the analyst named on the front of the report/note for detailed information on the valuation methods, earning estimates and risks. A full description of all the organisational and administrative measures taken by the Members of ESN to manage interest and conflicts of interest are available on the website of the Members or in the local disclaimer of the Members or contacting directly the Members. Research is available through the ESN Members sales representative. ESN will provide periodic updates on companies or sectors based on company-specific developments or announcements, market conditions or any other publicly available information. Unless agreed in writing with an ESN Member, this research is intended solely for internal use by the recipient. Neither this document nor any copy of it may be taken or transmitted into Australia, Canada or Japan or distributed, directly or indirectly, in Australia, Canada or Japan or to any resident thereof. This document is for distribution in the U.K. Only to persons who have professional experience in matters relating to investments and fall within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (the "order") or (ii) are persons falling within article 49(2)(a) to (d) of the order, namely high net worth companies, unincorporated associations etc. (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied upon by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The distribution of this document in other jurisdictions or to residents of other jurisdictions may also be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. By accepting this report you agree to be bound by the foregoing instructions. You shall indemnify ESN, its Members and their affiliates (and any director, officer or employee thereof) against any damages, claims, losses, and detriments resulting from or in connection with the unauthorized use of this document. For disclosure upon "conflicts of interest" on the companies under coverage by all the ESN Members, on the "interests" and "conflicts" of the analysts and on each "company recommendation history", please visit the ESN website (http://www.esnpartnership.eu/research_and_database_access/insite), or refer to the local disclaimer of the Members, or contact directly the Members:

www.bancaakros.it regulated by the CONSOB - Commissione Nazionale per le Società e la Borsa

www.caixabi.pt regulated by the CMVM - Comissão do Mercado de Valores Mobiliários

www.cmcioms.com regulated by the AMF - Autorité des marchés financiers

www.equinet-ag.de regulated by the BaFin - Bundesanstalt für Finanzdienstleistungsaufsicht

www.ibg.gr regulated by the HCMC - Hellenic Capital Market Commission

www.nibc.com regulated by the AFM - Autoriteit Financiële Markten

www.op.fi regulated by the Financial Supervision Authority

www.valores.gvcgaesco.es regulated by the CNMV - Comisión Nacional del Mercado de Valores

Members of ESN (European Securities Network LLP)



Banca Akros S.p.A.
Viale Eginardo, 29
20149 MILANO
Italy
Phone: +39 02 43 444 389
Fax: +39 02 43 444 302



Caixa-Banco de Investimento
Avenida João XXI, 63
1000-300 Lisboa
Portugal
Phone: +351 21 313 73 00
Fax: +351 21 389 68 98



CM - CIC Market Solutions
6, avenue de Provence
75441 Paris
Cedex 09
France
Phone: +33 1 53 48 81 93



equinet Bank AG
Gräfrstraße 97
60487 Frankfurt am Main
Germany
Phone: +49 69 – 58997 – 212
Fax: +49 69 – 58997 – 299



GVC Gaesco Beka, SV, SA
C/ Marques de Villamagna 3
28001 Madrid
Spain
Phone: +34 91 436 7813



Investment Bank of Greece
32 Aigialeias Str & Paradissou,
151 25 Maroussi,
Greece
Phone: +30 210 81 73 383



NIBC Bank N.V.
Gustav Mahlerlaan 348
P.O.Box 235
1082 ME Amsterdam
The Netherlands
Phone: +31 20 550 8500
Fax: +31 20 626 8064



OP Corporate Bank plc
P.O.Box 308
Teollisuuskatu 1, 00013 Helsinki
Finland
Phone: +358 10 252 011
Fax: +358 10 252 2703

